

# KENTUCKY ECONOMIC INDICATORS

February 2007 as of April 30, 2007

## **KY Composite Index of Leading Indicators decreased by 4.3 percent in February.**

- **The Leading Index decreased for the eighth time in thirteen months.**
- Same-month-last-year growth decreased by 0.6 percent.
- The component indicators leaned negative 2:3.
  - KY Labor Intensity Index decreased 1.7 percent.
  - KY Index of Initial UI Claims decreased by 18.0 percent.
  - + US Retail Sales increased by 6.2 percent.
  - + US Manufacturer's New Orders Index increased 4.3 percent.
  - Louisville Help Wanted Index decreased by 4 points to 31.

*Component weights for February are 59.0, 18.4, 13.4, 7.0 and 2.1 respectively.*

## **KY Composite Index of Coincident Indicators increased by 2.9 percent in February.**

- The Coincident Index is positive again after a small decline in January.
- Same-month-last-year growth is positive for the forty-third consecutive month at 1.5 percent.
- The component indicators leaned positive, 2:1.
  - KY Nonagricultural Employment decreased 0.2 percent.
  - + US Industrial Production Index increased 10.0 percent.
  - + US Personal Income Less Transfers increased 1.7 percent.

*Component weights for February are 37.8, 26.9 and 22.7 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.*

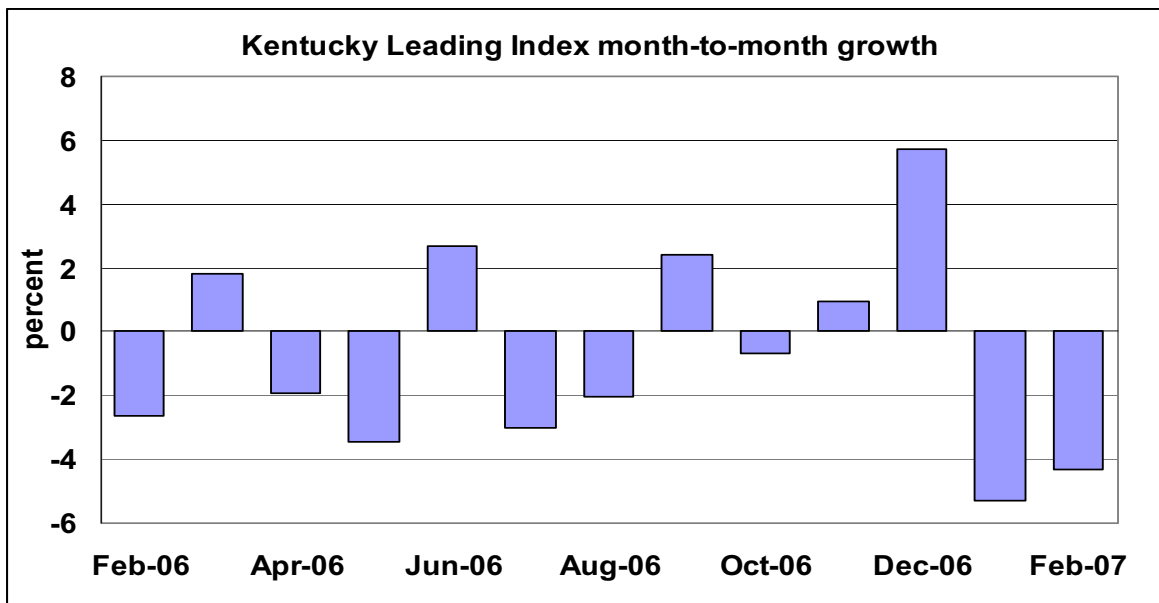
This is the second consecutive month that the Kentucky Leading Index has declined. The index has fallen by nearly one full point since December 2006. This is a large two month drop, that seems to mirror the US Leading Index, which lost 1.2 points since December 2006. Despite the similar behavior of the two indices, the components of the Kentucky Leading Index were split along national-state boundaries. All three Kentucky components of the Kentucky Leading Index were negative and both US components of the Kentucky Leading Index were positive for February.

The components seem to be in a state of flux, as four of the five components reversed their sign since the January report. The Index of Initial Unemployment Insurance Claims fell by a large margin. This is the largest single month decline since September 2005. Both components of the Initial Claims index (an inverted index) rose in February. Kentucky First Payments, those persons in their first month of payment, rose by 20.9 percent from January to February 2007. US Initial Claims rose by 9.0 percent from January to February 2007. The Kentucky component is responsible for the majority of the sharp decline in the index for February.

The Kentucky Labor Intensity Index continues to show sporadic movements amidst a long period of relative lifelessness. The Kentucky Labor Intensity Index has hovered near the 105.5 mark since the second quarter of 2004.

The Bureau of Labor Statistics has discontinued the Kentucky employment series Rubber and Plastic Products (NAICS 32326000) as of December 2006. In order to preserve the weights of the remaining employment series in the Labor Intensity Index, a new series was sought to replace this discontinued series. The aggregated category called Petroleum, Coal, Rubber and Plastic Products (NAICS 32320046) has been substituted since data is available for this. Rubber and Plastic Products composes roughly 90 percent of the new category Petroleum, Coal, Rubber and Plastic Products. The Bureau of Labor Statistics has supplied a history of the new series, Petroleum, Coal, Rubber and Plastic Products going back to January 2005. The Bureau has stated that they will generate the history going back at least as far as January 2000. When this new data is available, it will be incorporated into the Kentucky Labor Intensity weighting program.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



#### About the Indicators

##### **Kentucky Reference Series**

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

##### **Kentucky Leading Indicators**

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products; chemical and allied products; petroleum, coal, rubber and plastic products; fabricated metals and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **U.S. Manufacturer's New Orders Index:** This index has two components: US Manufacturer's New Orders for Nondefense Capital Goods and US Manufacturer's New Orders for Consumer Goods and Materials. Separately these two series slightly missed one or two turning points in the official reference series. But together they preceded each turning point.
- **Louisville Help-Wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.

---

##### **Table Notes:**

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, [www.osbd.ky.gov](http://www.osbd.ky.gov)

*Office of State Budget Director  
Room 284, Capitol Annex  
Frankfort, Kentucky 40601-3453*

*Thomas Jones  
Phone: 502-564-7300  
[taj@ky.gov](mailto:taj@ky.gov)*

**SELECTED KENTUCKY ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

	2006							2007						
	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	
KY Leading Index (1992=100)	109.7	109.9	109.7	109.4	109.6	109.3	109.1	109.4	109.3	109.4	109.9	109.4	109.0	
% Chg Previous Month SAAR	-2.6	1.8	-1.9	-3.5	2.7	-3.0	-2.1	2.4	-0.7	1.0	5.7	-5.3	-4.3	
% Chg Same Month Last Year	1.0	1.3	0.9	0.6	0.5	0.3	-0.1	0.2	-0.1	-0.3	0.0	-0.5	-0.6	
KY Leading Index Diffusion Index	73.3	70.0	66.7	60.0	60.0	53.3	56.7	56.7	63.3	70.0	70.0	73.3	70.0	
KY Coincident Index (1992=100)	133.7	134.1	134.1	134.0	134.5	134.5	134.8	134.9	135.1	135.1	135.5	135.4	135.7	
% Chg Previous Month SAAR	2.6	4.0	0.0	-0.5	3.8	0.0	2.6	1.2	2.3	0.0	3.4	-1.5	2.9	
% Chg Same Month Last Year	2.2	2.6	2.5	2.2	2.2	2.1	3.1	2.7	2.6	2.0	1.9	1.5	1.5	
KY Nonfarm Employment (000s)	1,842.6	1,849.7	1,842.7	1,845.2	1,845.6	1,838.9	1,846.3	1,845.8	1,844.0	1,846.1	1,850.9	1,854.3	1,854.0	
% Chg Previous Month SAAR	0.8	4.7	-4.4	1.6	0.3	-4.3	4.9	-0.3	-1.2	1.4	3.2	2.2	-0.2	
% Chg Same Month Last Year	1.5	1.9	1.2	1.2	1.2	0.8	0.8	0.8	0.8	0.6	0.9	0.7	0.6	
KY Mfg Employment (000s)	263.1	263.2	262.4	261.7	262.1	257.6	261.1	261.3	259.4	260.6	262.1	260.9	259.7	
% Chg Previous Month SAAR	-0.9	0.5	-3.6	-3.2	1.8	-18.8	17.6	0.9	-8.4	5.7	7.1	-5.4	-5.4	
% Chg Same Month Last Year	0.2	0.2	-0.4	-0.4	-0.2	0.3	-0.3	-0.3	-1.1	-1.0	0.1	-0.9	-1.3	
KY Private Services Employment (000s)	1,155.9	1,158.0	1,159.0	1,159.6	1,161.1	1,161.9	1,162.0	1,164.0	1,163.7	1,164.7	1,161.7	1,171.0	1,171.3	
% Chg Previous Month SAAR	0.7	2.1	1.1	0.6	1.6	0.9	0.1	2.1	-0.4	1.0	-3.1	10.0	0.4	
% Chg Same Month Last Year	1.7	1.8	1.6	1.6	1.6	1.5	1.4	1.4	1.2	1.2	0.8	1.4	1.3	
KY Unemployment Rate (%)	6.0	5.9	5.8	5.7	5.7	5.7	5.7	5.7	5.7	5.6	5.4	5.6	5.7	
KY Index of Initial UI Claims	104.2	104.0	104.2	103.1	103.9	103.5	102.3	102.9	103.0	102.6	103.4	103.9	102.2	
% Chg Previous Month SAAR	-8.9	-2.0	2.4	-12.9	10.4	-4.2	-13.3	6.5	2.3	-4.8	10.0	5.0	-18.0	
% Chg Same Month Last Year	0.7	0.9	0.9	0.2	0.6	0.3	-0.8	2.2	0.3	-1.0	-0.3	-1.1	-2.0	
KY Labor Intensity Index (1992=100)	105.7	105.8	105.5	105.5	105.7	105.3	105.4	105.4	105.4	105.4	105.4	105.5	105.4	
% Chg Previous Month SAAR	0.6	1.8	-3.1	-0.6	2.1	-4.3	2.0	-0.8	0.2	0.6	-0.2	1.0	-1.7	
% Chg Same Month Last Year	0.5	0.5	0.1	0.3	0.4	0.2	0.3	0.2	0.2	0.2	-0.1	-0.1	-0.3	
Louisville HWI (1992=100)	42.0	40.0	39.0	35.0	37.0	34.0	32.0	35.0	36.0	38.0	42.0	35.0	31.0	
% Chg Previous Month SAAR	-42.8	-44.3	-26.2	-72.7	94.8	-63.7	-51.7	193.1	40.2	91.3	232.3	-88.8	-76.7	
% Chg Same Month Last Year	2.4	0.0	2.6	-10.3	-9.8	-17.1	-30.4	-37.5	-33.3	-26.9	-19.2	-20.5	-26.2	
GF Total Tax Receipts (\$ mill)	508.0	598.0	756.5	705.2	808.7	578.7	553.1	834.7	630.1	630.7	881.4	682.8	544.3	
% Chg Same Month Last Year	1.4	5.2	-6.4	34.2	9.5	0.8	-0.4	7.2	-0.4	-0.1	5.4	0.2	7.1	
GF Sales & Use Receipts (\$ mill)	191.1	204.5	230.5	235.4	230.8	249.3	230.4	224.0	242.5	223.8	238.9	286.2	193.6	
% Chg Same Month Last Year	8.4	2.2	2.8	8.9	5.1	4.6	6.0	-2.4	2.9	2.4	4.4	-1.0	1.3	
GF Income Tax Receipts (\$ mill)	199.1	171.4	340.2	213.1	259.5	228.6	227.4	281.8	248.4	242.6	269.2	202.1	227.1	
% Chg Same Month Last Year	-14.0	-2.6	-17.8	-1.0	-2.6	-4.0	-9.3	1.4	-4.2	3.7	5.9	-8.5	14.1	

# SELECTED U.S. ECONOMIC INDICATORS SEASONALLY ADJUSTED

	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB
	2006						2007						
US Leading Index (1996=100)	137.9	138.5	138.2	137.6	137.8	137.5	137.0	137.6	137.6	137.6	138.4	138.0	137.2
% Chg Previous Month SAAR	-5.9	5.3	-2.6	-5.1	1.8	-2.6	-4.3	5.4	0.0	0.0	7.2	-3.4	-6.7
% Chg Same Month Last Year	1.8	2.7	2.4	1.6	0.9	0.7	0.2	1.4	0.7	-0.2	0.1	-0.4	-0.5
US Coincident Index (1996=100)	121.3	121.6	121.7	121.8	122.0	122.2	122.5	122.6	123.0	123.0	123.4	123.3	123.6
% Chg Previous Month SAAR	2.0	3.0	1.0	1.0	2.0	2.0	3.0	1.0	4.0	0.0	4.0	-1.0	3.0
% Chg Same Month Last Year	2.4	2.7	2.5	2.4	2.3	2.2	3.2	2.8	2.8	2.2	2.2	1.8	1.9
US Nonfarm Employment (Mil.)	135.4	135.7	135.8	135.9	136.0	136.3	136.4	136.6	136.7	136.9	137.2	137.3	137.4
% Chg Previous Month SAAR	2.7	2.2	1.3	0.9	1.1	2.0	1.7	1.8	1.0	1.7	2.0	1.4	1.0
% Chg Same Month Last Year	2.0	2.1	2.0	1.9	1.8	1.7	1.7	1.8	1.8	1.7	1.7	1.6	1.5
US Manufacturing Employment (000s)	14,212.0	14,212.0	14,227.0	14,215.0	14,238.0	14,229.0	14,218.0	14,206.0	14,166.0	14,143.0	14,131.0	14,130.0	14,119.0
% Chg Previous Month SAAR	-0.6	0.0	1.3	-1.0	2.0	-0.8	-0.9	-1.0	-3.3	-1.9	-1.0	-0.1	-0.9
% Chg Same Month Last Year	-0.4	-0.4	-0.2	-0.2	0.1	0.1	0.1	0.2	-0.2	-0.4	-0.5	-0.6	-0.7
US Service-Providing Employment (Mil.)	112.9	113.1	113.2	113.3	113.4	113.6	113.8	114.0	114.2	114.4	114.6	114.8	115.0
% Chg Previous Month SAAR	2.7	2.3	1.2	1.2	1.1	2.3	1.9	2.2	1.7	2.6	2.4	1.3	1.9
% Chg Same Month Last Year	2.0	2.1	1.9	1.9	1.8	1.7	1.7	1.8	1.9	1.9	1.9	1.9	1.8
US Unemployment Rate (%)	4.8	4.7	4.7	4.6	4.6	4.8	4.7	4.6	4.4	4.5	4.5	4.6	4.5
US Manufacturer's New Orders Index (1996=100)	127.4	131.4	128.3	128.5	129.0	127.2	126.9	129.3	125.8	125.9	129.7	122.1	122.6
% Chg Previous Month SAAR	-3.5	45.6	-25.2	2.2	4.7	-15.3	-3.5	26.0	-28.2	1.1	42.1	-51.2	4.3
% Chg Same Month Last Year	2.5	7.0	3.5	-0.7	-0.3	1.5	-2.2	2.2	-1.5	-4.7	-2.1	-4.4	-3.8
US Initial Claims for UI (000s)	304.9	307.2	311.9	331.4	309.7	312.7	316.3	315.3	314.1	327.4	320.0	310.3	338.2
% Chg Previous Month SAAR	79.4	9.4	20.0	107.0	-55.6	12.3	14.7	-3.7	-4.5	64.5	-24.0	-30.9	181.0
% Chg Same Month Last Year	-5.0	-9.8	-4.1	1.3	-4.4	-2.2	-0.1	-20.2	-8.2	3.8	1.9	6.9	10.9
US Industrial Production Index	109.4	110.0	110.9	110.9	111.9	112.3	112.5	112.2	112.0	111.5	112.2	111.8	112.7
% Chg Previous Month SAAR	3.1	6.5	11.3	-0.8	11.2	4.9	2.3	-3.7	-1.8	-4.9	7.8	-4.8	10.0
% Chg Same Month Last Year	3.0	3.6	4.5	4.0	4.3	4.7	4.6	6.0	4.6	3.0	2.8	2.4	3.0
US Personal Income Less Trans. (Bil. 2000 chained)	8,075.9	8,089.8	8,055.8	8,028.1	8,051.6	8,062.3	8,067.0	8,135.0	8,231.8	8,257.4	8,263.0	8,233.6	8,245.3
% Chg Previous Month SAAR	6.5	2.1	-4.9	-4.0	3.6	1.6	0.7	10.6	15.3	3.8	0.8	-4.2	1.7
% Chg Same Month Last Year	3.8	4.2	3.7	3.1	2.8	2.3	6.9	3.7	4.6	4.2	3.6	2.5	2.1
CPI, All Urban (1982-84=100)	199.1	199.6	200.8	201.9	202.4	203.2	203.8	202.7	201.8	201.9	202.8	203.2	203.9
% Chg Previous Month SAAR	0.6	3.1	7.5	6.8	3.0	4.8	3.6	-6.3	-5.2	0.6	5.5	2.1	4.5
% Chg Same Month Last Year	3.6	3.4	3.6	4.1	4.3	4.2	3.9	2.1	1.3	2.0	2.5	2.1	2.4
US Retail Sales (\$Billions)	356.5	358.0	360.6	360.9	359.2	364.0	364.2	362.0	362.0	363.2	367.3	367.2	369.1
% Chg Previous Month SAAR	-9.0	5.3	9.0	1.1	-5.5	17.1	0.9	-7.2	0.0	4.2	14.4	-0.4	6.2
% Chg Same Month Last Year	7.2	7.6	6.8	7.4	5.0	4.6	6.3	5.4	4.9	4.5	5.6	2.2	3.5
US Consumer Expectations (1966=100)	74.5	76.0	73.4	68.2	72.0	72.5	68.0	78.2	84.8	83.2	81.2	87.6	81.5
% Chg Previous Month AR	-49.8	27.0	-34.1	-58.6	91.7	8.7	-53.6	435.0	164.4	-20.4	-25.3	148.5	-57.9
% Chg Same Month Last Year	-11.7	-8.2	-4.7	-9.4	-15.3	-15.2	-11.6	23.5	34.2	19.5	1.2	11.0	9.4
Ave. Prime Interest Rate (% NSA)	7.50	7.53	7.75	7.93	8.02	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25